

ACTION  
ER 4019X-87

**OFFICE OF CONGRESSIONAL AFFAIRS**  
Routing Slip

*JEC*  
*China*

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation		X
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs	XX	
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries Officer		
11.		
12.		

SUSPENSE

19 Aug 87  
Date

Action Officer:

Remarks:

*Completed 9-17-87 OCA 87-3940*

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Name/Date

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# **EXECUTIVE SECRETARIAT** ROUTING SLIP

TO: .

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS		X		
5	DDI				
6	DDA				
7	DDO		X		
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OCA	X	Provided advance copy 10 Aug 87		
14	D/PAO				
15	D/PERS				
16	D/Ex Staff				
17	D/OEA		X		
18	C/EA		X		
19	NIO/EA		X		
20	D/OGI/DI		X		
21					
22					

SUSPENSE \_\_\_\_\_ Date \_\_\_\_\_

Remarks

For direct response with info copy to  
Executive Secretary .

*HS*  
Executive Secretary

11 Aug 87

Date

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EXECUTIVE DIRECTOR

# Congress of the United States

JOINT ECONOMIC COMMITTEE  
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, DC 20510

August 10, 1987

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87-4019X

Mr. William H. Webster  
Director of Central Intelligence  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Webster:

I mentioned at the close of the hearing on China's economy, on August 3, 1987, that I would be forwarding additional questions with a request that responses be made for the record. The following are the questions I would like addressed:

1. The farm sector has been reorganized and much of it turned over to private control. There has also been some decentralization of industry. How much of the economic growth in 1986 and 1987 can be ascribed to the private sector? How much to the reforms in general?
2. You mention Beijing's concern over budget deficits. First, how large will the deficits be in 1987? Second, we never hear about budget deficits as a problem in other centrally planned economies. Why is it considered a problem for China?
3. What are your estimates for inflation and unemployment for 1987 and how does this compare with the recent past?
4. You discuss efforts to improve productivity, but no figures are cited. What are the figures for labor and capital productivity for each of the past 10 years?
5. The July 27, 1987, issue of Beijing Review contains a midyear report on the economy by the State Statistical Bureau. It shows 10 percent growth in GNP for the first half and a 15 percent rise in total industrial value. How reliable is this report and do you agree with it?
6. According to the Beijing Review midyear report, management reforms had been carried out in 37.8 percent of small, state-owned industrial enterprises by June 1987, as against 8 percent by year-end. Do you agree with this figure, and what does it say about the reforms?

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7. In general, how reliable and complete are Chinese official economic statistics compared to those of the Soviet Union?
8. Explain the methodology for estimating China's GNP and the reasons for revising it downward since 1986.
9. Nongovernment groups, such as the World Bank and Wharton Econometric Forecasting Associates, use a different approach for estimating the size of China's economy and come up with much larger estimates. Explain the differences between the CIA's and these other methodologies.
10. Is the CIA considering whether to modify its methodology along the lines of the World Bank's?
11. In your March 1987 report, you say that you suspect Beijing's policy mix for 1987 is likely to fall short of the mark and that the problems are worse than leaders admit and will probably not improve significantly this year. Explain what was meant by those conclusions and whether they still represent your view.
12. The CIA has predicted large exports of Chinese oil. What has constrained exports and what is the status of on-shore and off-shore exploration?
13. You say in your prepared statement that defense spending grew by 5 percent in 1986 but will grow by only 1.3 percent in 1987. Are those real or nominal growth rates, and, if the latter, what are the real rates and what have they been for the past five years?
14. I thought they were trying to hold down their defense spending. Why did it rise by 5 percent in 1986?
15. What is the Chinese defense burden in terms of the share of GNP spent for defense, and to what extent does their relatively modest burden account for their good economic performance in recent years?
16. We have numerous exceptions for China in CoCom. Does this suggest that we want China to buy U.S. weapons and military technology?
17. The Soviets are reportedly directly involved in several dozen industrial projects in China. Can you summarize the projects and their significance and provide for the record a detailed explanation of each?

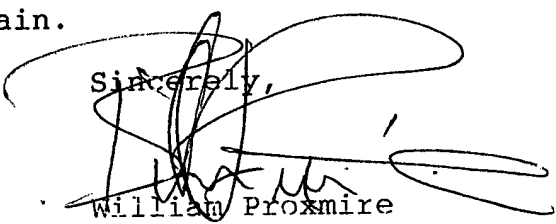
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18. What is the status and significance of the Soviet-Chinese Amur River project?
19. What significance do you place on the revival of Chinese-Soviet trade and economic relations?
20. Is our military sales policy to China in conflict with our interests in Taiwan?
21. What is the future of U.S. grain sales to China, and of U.S.-China trade in general?
22. To what extent do Chinese textile exports, directly or through Hong Kong, threaten U.S. textile interests?

This hearing was the second part of hearings begun in March on the "Allocation of Resources in the Soviet Union and China." I would appreciate responses to the above questions at the earliest possible time so that we might publish the entire record of the hearings. I would also like the responses to be in unclassified form so that they might be printed in their entirety.

The testimony and reports received in the March and August hearings were extremely helpful and I am appreciative of the excellent cooperation we have received from the Agency. I look forward to working with you again.

Sincerely,



William Proxmire  
Chairman

Subcommittee on National  
Security Economics

WP:rkt